

SENATE BILL REPORT

SB 6273

As of February 4, 2014

Title: An act relating to money transmitters.

Brief Description: Revising provisions governing money transmitters.

Sponsors: Senators Hobbs, Benton and Mullet.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/28/14.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Staff: Alison Mendiola (786-7483)

Background: The Department of Financial Institutions (DFI) regulates money transmission under the Uniform Money Services Act (Act), chapter 19.230 RCW.

A person may not engage in the business of money transmission, or advertise, solicit, or hold itself out as providing money transmission unless the person is duly licensed by DFI as a money transmitter or is an authorized delegate of a person licensed as a money transmitter.

Money transmission is the receipt of money for the purpose of transmitting or delivering the money to another location, whether inside or outside the United States. The transmission or delivery of the money can take place by any means, including wire, facsimile, or electronic transfer.

Every money transmitter must transfer all money received from a customer for transmission, to the person designated by the customer within ten business days after receiving the money, unless otherwise ordered by the customer or unless the licensee has reason to believe a crime occurred, is occurring, or may occur as a result of transmitting the money.

Summary of Bill: A money transmitter licensee that accepts money or its equivalent from consumers purchasing goods or services from third-party merchants and transmits the money or its equivalent to those merchants selling the goods or services to the customer must: (1) transmit the money or its equivalent to the merchant within the timeframe agreed upon in the merchant's agreement with the money transmitter licensee; and (2) conspicuously disclose to the merchant in the agreement the money transmitter's authority to place a hold or delay in

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transmittal of consumer money or its equivalent for more than ten business days and the circumstances under which the merchant may be subject to a hold or delay.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Stakeholders worked with DFI on this issue. Current law says money transmitters can hold money only up to ten days, but there are instances when money may need to be held longer; especially with the sale of goods. If a business is new or does not have a lot of reviews, you should wait until the consumer receives the product. In this instance, with eBay or PayPal, consumers have a 100 percent guarantee, but there are very limited times when such companies have a reason to hold the money, known as a hold or reserves.

OTHER: DFI is neutral. Money transmitting today is not what money transmitting was when the Legislature passed the money transmitter statute. Money transmitting used to be by Western Union-type companies. Today there is PayPal, Amazon, Google, and Square. These businesses may have a valid reason for holding money which really only happens in 1 percent of transactions. It is good for customers.

Persons Testifying: PRO: Scott Hazlegrove, eBay, PayPal.

OTHER: Deb Bortner, DFI.